

March 2018

SBA Form 1086

Critical Terms and Conditions

Prior to Sale:

1. Loan must be fully disbursed.
 2. No knowledge of a default
 3. Loan is not a line of credit
 4. Lender acknowledges that it cannot unilaterally repurchase the loan out of the secondary market without the written consent of SBA pursuant to Paragraph 20 of SBA Form 1086
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After Sale:

1. If payments are remitted late, penalties are assessed and rarely waived.
 2. Note Modifications must be approved by the investor through Colson, with the exception of a 3-month deferment.
 3. Borrower prepayments require 10-business day advance written notice to Colson.
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Execution Flow:

1. Lender completes its sections of the 1086, signs the agreement, then forwards the 1086 to the broker/dealer, who completes its sections, signs and then forwards the completed 1086, along with a true and certified copy of the Note to Colson for processing.
 2. Colson checks the documents against SBA's system for accuracy. Any inconsistencies must be resolved.
 3. A settlement date is set.
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Borrower Prepayments:

1. A Prepayment Certificate must be executed for all prepayments, certifying the reason for the prepayment.
 - a. Borrower's own funds of funds borrowed from the current lender of another lender *pursuant to a separate transaction*
 - b. Borrower has defaulted on the loan
 - c. There is no c
2. The Lender cannot prepay the loan if the investor denies a modification without following the entire process contained in Paragraph 20 of SBA Form 1086, "Emergency Repurchase Authority by Lender." *There are no exceptions to this.*